

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

**MINUTES OF THE REGULAR MEETING
OF THE HAWAII HOUSING FINANCE AND DEVELOPMENT
CORPORATION
HELD AT THEIR OFFICE AT 677 QUEEN STREET, SUITE 300,
ON THURSDAY, MARCH 8, 2012
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII**

The Board of Directors (Board) of the Hawaii Housing Finance and Development Corporation (HHFDC) met for their Regular Meeting at 677 Queen Street, Suite 300, Honolulu, Hawaii, on Thursday, March 8, 2012, at 9:00 a.m.

Chairman David Lawrence called the meeting to order at 9:03 a.m.

**CALL TO
ORDER/
ROLL CALL**

Present: Director David Lawrence, Chairman
Director Ralph Mesick, Vice Chairman
Director Betty Lou Larson, Secretary
Director Richard Lim
Director Michael Ng
Designee Luis Salaveria for Director Kalbert Young

Executive Director Karen Seddon

Excused: Director Francis Jung
Director Kalbert Young
Director Paul Kyno
Director Allan Los Banos

Staff Present: Sandy Ching, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Rick Prahler, Development Branch Chief
Stan Fujimoto, Development Section Chief
Stuart Kritzer, Asset Manager
Marlene Lemke, Real Estate Services Section Chief
Patrick Inouye, Housing Finance Specialist
Byron Chock, Housing Finance Specialist
Jocelyn Iwamasa, Housing Finance Specialist
Lorna Kometani, Housing Sales Coordinator
Lorraine Egusa, Budget Analyst
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Karen Arakawa, Pacific Housing Assistance Corporation
Donn Nakamura, Accuity LLP

A quorum was present.

QUORUM

Vice Chairman Mesick moved, seconded by Director Ng, to approve the Meeting Minutes of February 9, 2012.

**II. A.
APPROVAL
OF MINUTES**
2/9/12
Regular
Meeting

The motion was unanimously approved.

Vice Chairman Mesick moved, seconded by Director Ng, to approve staff's recommendation:

**III. A.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve an
Extension to
Resolution No.
034, Which Provides

That the HHFDC Board of Directors approve the following:

- A. Extend the deadline to issue HMMF Bond for the Wilikina Apartments Project to June 30, 2012.

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B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Finance Manager Darren Ueki presented the For Action, stating that the Wilikina Apartments (Project) consists of 119 family units, located in Wahiawa, Oahu.

Board approvals for the Project from March 2011 through February 2012 were noted.

This Project is the second project acquired from the Hawaii Public Housing Authority (HPHA) to use the Hula Mae Multi-Family (HMMF) Program and Low Income Housing Tax Credit (LIHTC) Program. The Banyan Street Manor project, also acquired by the HPHA, used 9% Volume Cap LIHTC.

The proposed Financing Structure, Proposed Budget and Use of Funds, and the Project's estimated construction timeline were cited, with construction set to start in March 2012 and completion of the Project in March 2013.

Staff evaluated the extension request based on progress made in site control, zoning approvals - the Project is an acquisition/rehabilitation of an existing project, and securing financial commitments - the Partnership continues to work with Merchant Capital, LLC on the public offering of the HMMF Bonds and with Centerline Capital Group on the sale of the LIHTC. The bond documents are being finalized.

Mr. Ueki opened for questions.

In response to Director Larson, Mr. Ueki stated that the Project does come with subsidies.

In response to Chairman Lawrence, Mr. Ueki stated that during the rehabilitation process, his understanding is that the tenants are moved into vacant units within the project.

Chairman Lawrence inquired on the Project meeting its timeline as scheduled. Mr. Ueki stated that the Project is in its final stages of getting its financing together, with anticipation of closing in early April 2012. However, as a precautionary measure, staff has elected to extend the inducement resolution by three months, to June 30, 2012.

The motion was unanimously approved.

Vice Chairman Mesick moved, seconded by Director Ng, to approve staff's recommendation:

That the HHFDC Board of Directors approve the following:

- A. Extend the deadline to issue HMMF Bonds for the Senior Residence at Iwilei Project to June 30, 2012.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki presented the For Action, stating that the Senior Residence at Iwilei (Project) consists of 160 elderly units, located at the corner of North King Street and Iwilei, Honolulu, Oahu.

Board approvals for the Project from August 2002 through February 2012 were noted.

Although the Partnership is requesting a six-month extension, staff recommends a three-month extension to June 30, 2012, for the closing of its HMMF Bonds.

for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Wilikina Apartments Project Located in Wahiawa, Oahu, TMK Nos.: (1) 7-3-009: 003 to 013

III. B. DISCUSSION AND/OR DECISION MAKING
Approve an Extension to Resolution No. 082, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Senior Residence at Iwilei Project Located in Iwilei, Oahu, TMK Nos.: (I) 1-5-007: (various parcels)

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The proposed Financing Structure, Proposed Budget and Use of Funds were cited.

Since the approval of Resolution No. 037, in September 2011, the total Project Budget increased by \$1,527,551. Increased costs were absorbed and no increase in State supported funding has been requested.

Project construction started in September 2011, with vertical construction anticipated in June 2012, after the HMMF Bond closing. Project completion is anticipated to be in January 2014.

Staff evaluated the Project's request based on site control, zoning approvals - 201 H Exemption was approved in August 2004, and financial commitments - the Partnership continues to work with Citigroup Global Markets, Inc. on the public offering of its HMMF Bonds and with WNC with the sale of the LIHTC.

Mr. Ueki opened for questions, along with Ms. Karen Arakawa, on behalf of the Project.

In response to Designee Salaveria, Mr. Ueki and Executive Director Seddon clarified that construction site work commenced in September 2011 and then was on hold with an anticipated restart once the closing of the HMMF Bonds is completed.

In response to the Board, Mr. Ueki stated that having the Project financing in place allows staff to start conference calls with all of the parties involved.

In response to Director Larson, Housing Information Specialist Kent Miyasaki stated that the Project groundbreaking is currently being coordinated and is tentatively scheduled for April 13, 2012.

In response to Designee Salaveria, Mr. Ueki stated that the General Contractor for the Project is Albert C. Kobayashi, Inc.

With no further discussion, the motion was unanimously approved.

Director Larson moved, seconded by Vice Chairman Mesick, to approve staff's recommendation:

That the HHFDC Board of Directors approve a grant of easement for drainage purposes to the City and County of Honolulu at HHFDC's Remnant Lot at the Hale Aupuni Subdivision in Waimanalo, Oahu, Hawaii, TMK (1) 4-1-33: 193, substantially as described in this For Action, and the Executive Director shall be authorized to take all actions necessary to effectuate the purpose of this For Action;

Subject to the following:

- A. Approval as to form of the easement document by the Department of the Attorney General;
- B. Approval and execution of necessary easement documents by the Executive Director; and
- C. Compliance with all laws and rules, and such other terms and conditions as may be required by the Executive Director.

Development Section Chief Stan Fujimoto presented the For Action, stating that the City and County of Honolulu (City) requested for a drainage easement for its box culvert constructed in 1983 on the HHFDC's Remnant Lot, located at the Inoaole Stream and Kalaniana'ole Highway, in Waimanalo, Oahu.

Mr. Fujimoto opened for questions.

**III. C.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve Drainage
Easement to the
City and County of
Honolulu at the Hale
Aupuni Subdivision,
Waimanalo, Oahu,
TMK No.:
(1) 4-1-033: 193

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In response to Chairman Lawrence, Mr. Fujimoto stated that it is very unusual for the City to request for an easement due to the liability.

With no further discussion, the motion was unanimously approved.

Director Ng moved, seconded by Director Mesick, to approve staff's recommendation:

That the HHFDC Board of Directors accept the audited financial statements for the fiscal year ending June 30, 2011.

Chairman Lawrence noted that the CD within the Board packets consists of the full audited reports of the HHFDC's financial statements.

In the absence of Fiscal Manager Galen Lee, Executive Director Karen Seddon noted that there were no significant findings within the 2011 Audited Financial Statements and that the audited reports reflected that the HHFDC is a billion dollar corporation.

Auditor Donn Nakamura was present to answer any questions from the Board.

In response to Director Larson, Mr. Nakamura stated that the audit includes loans that the Corporation is making, but will not include grants, such as certain Federal Government funding received.

Director Larson inquired on how the State of Hawaii compares to other states in terms of housing funds received. Executive Director Seddon stated that she would need to research the statistics; however, the HHFDC is in the process of doing a comparison between its programs and housing programs in other States.

In response to Chairman Lawrence, Executive Director Seddon and Mr. Nakamura noted that the UH Faculty Housing Fund still exists; however, all remaining funds were mandated to go into the State General Fund.

In response to Designee Salaveria, Executive Director Seddon and Mr. Nakamura clarified that while the \$6.5 million was administered by HHFDC, the monies were actually designated to the Hawaii Community Development Authority (HCDA) for a specific purpose; however, they were unsuccessful in utilizing the funds. Therefore, shortly after the HHFDC discovered that the monies were available, there was not enough time to use the \$6.5 million, so the funds were lapsed and returned. The \$6.5 million has been recognized within the audit.

In response to Vice Chairman Mesick, Mr. Nakamura stated that there were no recommendations related to controls, but one recurring finding dealing with the development costs associated with the Villages of Leiali'i and the Villages of Kapolei. Executive Director Seddon explained that an estimated cost was provided previously, which the HHFDC sees no reason to alter, unless and until the circumstances change.

The motion was unanimously approved.

Chairman Lawrence proceeded to the Report of the Executive Director.

Executive Director Seddon handed out an HHFDC Economic Impact report to the Board, stating that this report reflects how much impact the HHFDC actually has and where its resources are contributed. The Report noted the names of projects that the HHFDC has done or been involved in, unit counts, project values, direct jobs, indirect jobs, and income generated.

Executive Director Seddon noted that there are twelve projects requesting approximately \$37 million in Rental Housing Trust Fund (RHTF) funds in addition to what is reflected in the report.

**III. D.
DISCUSSION
AND/OR
DECISION
MAKING**

Accept the Audited
Financial Statements
of the Hawaii
Housing Finance
and Development
Corporation for the
Fiscal Year Ended
June 30, 2011

**IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

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In response to Director Larson, Executive Director Seddon stated that the total number of units reflected within the report was collectively taken from Fiscal Years 2010 to 2013.

In response to Designee Salaveria, Executive Director Seddon stated that due to the disclosure laws on taxes, the HHFDC is unable to calculate and provide a true GET exemption amount to the Legislature.

In response to Director Larson, Executive Director stated that the RHTF project lists are updated annually and presented to the Board during the HHFDC's Strategic Planning Session in July or August.

In response to Chairman Lawrence, Executive Director Seddon stated that the Kamakana Villages' groundbreaking is tentatively scheduled for April 10, 2012 and the Settlement Agreement has been completed.

In response to Chairman Lawrence, Executive Director Seddon stated that in regard to the Attorney General Fund, the HHFDC will be meeting with the Department of Commerce and Consumer Affairs (DCCA) and discussions are ongoing on how to use the program funding.

In response to the Board, Executive Director Seddon stated that the HHFDC does mortgage back securities, not whole loans, which is not believed to be within the economical capacity of the Corporation.

Director Larson proposed that Chief Planner Janice Takahashi be listed as a member of the Hawaii Interagency Council on Homelessness, to provide a housing component to the table. Director Lim stated that the DBEDT Deputy Director Mary Alice Evans is attending; however, if found appropriate, Ms. Takahashi would also be recommended.

Executive Director Seddon stated that in April 2012, there will be a National Council of State Housing Agencies (NCSHA) Legislature Conference in Washington, D.C., which she will attend. Discussions will include, but not limited to, NCSHA's legislative priorities and communication strategies.

Director Larson asked that matters with the U.S. Department of Housing and Urban Development (HUD) Section 8 Vouchers and Section 202 be brought up at the NCSHA conference. Executive Director Seddon stated that she would note those matters for the conference.

In response to Chairman Lawrence, Mr. Ueki reported that there are executed agreements between six lenders participating in the New Issue Bond Program. Agreements between Fannie Mae are in progress and anticipated to be completed in early April 2012.

In response to Director Lim, Executive Director Seddon stated that with the number of projects coming in, the HHFDC could easily use \$20 million in RHTF monies in the next biennium.

In regard to the City and County of Honolulu (City) selling twelve of its housing projects, Mr. Ueki stated that in looking at the City's Request for Proposal (RFP), the RHTF would be best utilized, allowing a targeted income of up to 100% of the area median income. However, Mr. Ueki cautioned the Board that with the demand of larger loans sums coming in for RHTF funding, that RHTF leveraging piece to help with a project's affordability may no longer be accessible.

Director Lim stated that in talking with the Hawaii Public Housing Authority (HPHA) about Public-Private Partnerships and in light of the City selling its twelve projects, there is a realization that perhaps the state is not the best equipped to handle public housing.

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In response to Director Larson, Mr. Ueki stated that the RHTF program does not allow projects to be removed from an Approved List until a new approved and rejected list is determined. There also have been cases where credits were returned or monies become available to fill a project financial gap.

In response to Director Lim, Executive Director Seddon stated that the HHFDC is requesting \$10 million in CIP funds for DURF to accommodate the lowest point in the cash flow in 2013. However, with the increasing demand for resources, \$20 million could be easily utilized.

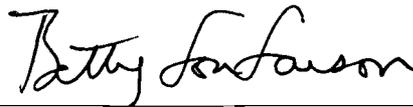
In response to Designee Salaveria, Mr. Ueki stated that DURF was initially funded through General Obligation (GO) bonds, for which the interest was paid by the Corporation until they were retired by the State in 2005. Executive Director Seddon added that of the \$48 million that the Legislature raided from DURF at various times, \$38 million in DURF funds have been restored.

In response to Chairman Lawrence, Director Ng stated that reappointments are in progress and the staff is aware of the deadline schedule.

With no other business on the agenda, Chairman Lawrence asked for a motion to adjourn.

Director Ng moved, seconded by Vice Chairman Mesick, to adjourn the meeting at 9:55 AM.

The motion was unanimously approved.



BETTY LOU LARSON
Secretary

V.
ADJOURNMENT